

**A study on Public Works Department on the basis of Key  
Performance Indicator regarding compliance to PPA 2006 & PPR  
2008 in the procurement activities.**

**Dissertation submitted in the partial fulfillment of the  
Requirements for the Degree of  
Masters in Procurement and Supply Management**

**Submitted by  
KAZI SHARIF UDDIN AHMED  
MPSM, Batch VII  
ID No. 14282004**

**Masters in Procurement and Supply Management**

**July, 2015**



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Banik Gour Sundar

Supervisor

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***The Author***

## Abstract

Transparency, efficiency, accountability, competitiveness, equitable treatment and free & fair competition are essential to be ensured in the procurement using public funds. In Bangladesh, these could not be ensured earlier due to a lack of proper rules and regulation. To streamline the public procurement activities, the Government of the People's Republic of Bangladesh has enacted Public Procurement Act (PPA) 2006 and thereafter issued Public Procurement Rules (PPR) 2008. Since then government agencies are bound to abide by the Act and Rules very strictly in their procurement activities. The Central Procurement Technical Unit (CPTU) of the Implementation Monitoring and Evaluation Division (IMED) is continually monitoring the compliance of PPA 2006 and PPR 2008 by the target agencies in the light of 45 predetermined Key Performance Indicators (KPI).

In spite of being a major procuring agency of the country PWD is not among the four target agency. At the time of selection of the target agency the amount of procurement in PWD is not in the first four. But after that the amount of procurement has increased substantially.

Now PWD has procured more than Water development Board (one of the four target agency). For not being in the list of initial selection, the procurement activities of PWD are not monitored keenly. Now it is required to take a look on PWD's procurement activities.

The research has been designed under the questions if PWD is following PPR 2008 completely or not; and if not, then the causes behind that. The main objectives of the present study are to find out the extent of compliance of PPR 2008 by PWD and to find out the gap of compliance and scope of improvement for implementation. The related literatures and reports, particularly from PWD and SRGB, have been thoroughly reviewed before conducting the main research work. The key findings of these reports have been compared and analyzed which helped to draw important conclusion of the study.

A questionnaire survey was carried out to collect data of different projects undertaken by PWD. The study result shows a clear noncompliance to the rules of PPR 2008 in PWD in carrying out some of the compliance related KPIs. Among the 11 different compliance issues, it has been revealed that PWD is doing well in 7 KPIs. For other 4 issues namely submission of report by the TEC, Average number of days taken between submission of Tender Evaluation Report and approval of contract, Average number of days between final approval

and Notification of Award (NOA) and Percentage of Contracts where interest for delayed payments was made are not satisfactory and a clear improvement is required in these areas.

For improvement of these situations, some specific recommendations have been drawn. These are (i) Compiling the contractors profile (ii) Empowering the lower tier will decrease the time in approval process (iii) Strong adherence of law and effective internal auditing (iv) payment of interest in case of delayed payment should be considered carefully to protect the interests of both the parties. (v) Introduction to e-gp (vi) Training on Procurement law (vii) to ensure the timely payment to the contractors, tender should be floated only after availability of sufficient fund.

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## Abbreviations

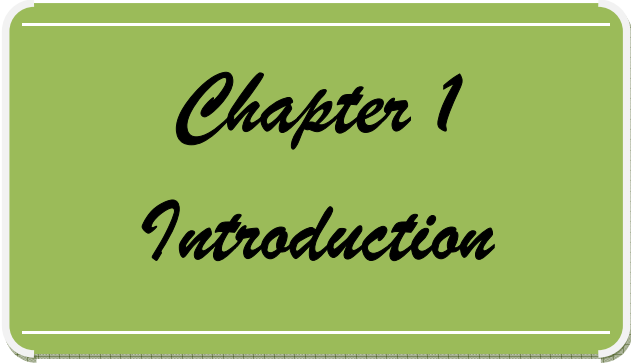
AA	: Approving Authority
ADP	: Annual Development Programme
AO	: Authorized Officer
CAA	: Contract Approving Authority
CCGP	: Cabinet Committee of Government Purchases
CIPS	: The Chartered Institute of Purchasing and Supply
CPTU	: Central Procurement Technical Unit
DoFP	: Delegation of Financial Power
DPP	: Development Project Proposal
ERD	: Economic Relations Division
GCC	: General Conditions of Contract
GFR	: General Financial Rules
HOPE	: Head of Procuring Entity
ICD	: Intended Completion Date
IMED	: Implementation Monitoring and Evaluation
KPI	: Key Performance Indicators
PWD	: Local Government Engineering Department
LTM	: Limited Tendering Method
MoF	: Ministry of Finance
MoP	: Ministry of Planning
NOA	: Notification of Award
OECD-DAC	: Organization for Economic Co-operation and Development- Development Assistance Committee
OTM	: Open Tendering Method
PD	: Project Director
PE	: Procuring Entity
PM	: Project Manager
PPA 2006	: Public Procurement Act 2006
PPR 2008	: Public Procurement Rules 2008.
PPRP II	: Public Procurement Reform Project (Phase II)

PWD	:	Public Works Department
RADP	:	Revised Annual Development Programme
REB	:	Rural Electrification Board
RHD	:	Roads and Highways Department
SRGB	:	Survey Research Group of Bangladesh
TDS	:	Tender Data Sheet
TEC	:	Tender Evaluation Committee
TER	:	Tender Evaluation Report
TOC	:	Tender Opening Committee

## Operational Definitions: PPR 2008

- (1) "**Advertisement**" means an advertisement published under Section 40 in newspapers, websites or any other mass media for the purposes of wide publicity;
- (2) "**Approval Procedures**" means the approval procedures of a Tender or a Proposal as detailed in Rule 36;
- (3) "**Approving Authority**" means the authority which, in accordance with the Delegation of Financial Powers, approves the award of contract for the Procurement of Goods, Works or Services;
- (4) "**CPTU**" means the Central Procurement Technical Unit, established by the in the Implementation Monitoring and Evaluation Division of the Ministry of Planning, for carrying out the purposes of the Act and these Rules;
- (5) "**Days**" means calendar days unless otherwise specified as working days;
- (6) "**Delegation of Financial Powers**" means the instructions with regard to the delegation of financial authority, issued by the from time to time, relating to the conduct of public Procurement or sub-delegation of financial powers under such delegation;
- (7) "**Head of the Procuring Entity**" means the Secretary of a Ministry or a Division, the Head of a Government Department or Directorate; or the Chief Executive, by whatever designation called, of a local Government agency, an autonomous or semi-autonomous body or a corporation, or a corporate body established under the Companies Act;

- (8) **"Intended Completion Date"** is the date on which it is intended that the Contractor shall complete the Works as specified in the Contract and may be revised only by the Project Manager by issuing an extension of time or an acceleration order;
- (9) **"Key Performance Indicators (KPI)"** are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization.
- (10) **"Procurement"** means the purchasing or hiring of Goods, or acquisition of Goods through purchasing and hiring, and the execution of Works and performance of Services by any contractual means;
- (11) **"Procuring Entity"** means a Procuring Entity having administrative and financial powers to undertake Procurement of Goods, Works or Services using public funds;
- (12) **"Public funds"** means any funds allocated to a Procuring Entity under Government budget, or loan, grants and credits placed at the disposal of a Procuring Entity through the Government by the development partners or foreign states or organisations
- (13) **"Public Procurement"** means Procurement using public funds;
- (14) **"Project Manager"** is the person named in the Contract or any other competent person appointed by the Procuring Entity and notified to the Contractor who is responsible for supervising the execution of the Works and administering the Contract.



*Chapter 1*  
*Introduction*



# Introduction

## 1.1 Background and context

Over the last few years the Govt. of Bangladesh made considerable efforts to bring about a systematic change in the public procurement environment. The basic foundation for the change was created by making policy changes including passing the Public Procurement act 2006. But its implementation was slow and little progress was made in tangible outcomes on the ground. To establish a robust procurement environment compatible with the rapidly changing investment and economic scenario, a no of activities has taken by IMED.

The major weaknesses perceptible in the public procurement system were the inordinate delays in awarding of contracts and non compliance to public procurement rules and regulations. This was exacerbated by frequent changes, inconsistence guidelines, poor monitoring, Inadequate knowledge and skills, lack of expert advice and institutional support, non availability standard contract document and specification, week contract administration etc. which ultimately resulted in huge cost and over run in many development project.

In a nutshell, the procurement system evidenced a stumbling block which influenced significantly in slowing down economic development of the country. Such an efficient and ineffective procurement system shed a negative effect on good governance as it failed to generate the desired result to ensure value for money of the public contracts and transparency and accountability in offering and selecting public tenders.

Hence, to establish good governance in the country an effective and efficient procurement system became imminent and integral part of public sector reforms in Bangladesh. Over the last several years the government has addressing key weakness in financial management system and took a number of milestone decisions to make substantial progress in reforming its public procurement system.

Until 2003, there was no standard and legal framework for public procurement in Bangladesh and General Financial Rules (GFR) had regulated public procurement procedures and practices in Bangladesh. These rules were originally issued during the British period and slightly revised in 1951 under the Pakistani rule. After Bangladesh's independence, few changes were made to these rules in 1994 and 1999 respectively (Islam, 2011).

To ensure transparency and accountability in the procurement of goods, works or services using public funds, and ensuring equitable treatment and free and fair competition among all persons wishing to participate in such procurement, the Government of the People's Republic of Bangladesh has enacted Public Procurement Act 2006 (hereinafter called PPA 2006) on 06 July 2006. Under the framework of PPA 2006, the government issued Public Procurement Rules 2008 (hereinafter called PPR 2008) which has come into effective on January 31, 2008. All these were the outcomes of the reform process taken by the government to streamline the public procurement. Earlier in 2003, Public procurement Regulations 2003 which was effective till the PPR 2008 was issued (Hoque, 2010).

Upon issuance of the PPA 2006 and PPR 2008, the government agencies are bound to follow the Act and Rules in the day to day procurement activities of their own. The Central Procurement Technical Unit (CPTU) of the Implementation Monitoring and Evaluation Division (IMED) of the Ministry of Planning have been established for carrying out the purposes of Section 67 of PPA 2006 which states as follows:

***Section 67:** For carrying out the purposes of the Act, the Government shall, through a Central Procurement Technical Unit or any other unit established by it relating to procurement monitoring, coordination and management, perform the following responsibilities, namely –*

*a. Providing for monitoring compliance with and implementation of this Act through the authority as designated by the Government;*

- b. Arranging for performance of the necessary functions and responsibilities incidental thereto, through the authority as designated by the government and*
- c. Performing any other responsibilities as prescribed.*

To provide for monitoring compliance with implementation of this Act and Rules, the government of Bangladesh has undertaken Public Procurement Reform Project II (PPRP II) in 2009. The aim of project is to progressively improve the performance of public procurement system in Bangladesh, focusing largely on the target agencies, namely Bangladesh Water Development Board (BWDB), Roads and Highways Department (RHD), Local Government Engineering Department (PWD) and Rural Electrification Board (REB). Among the four components of PPRP II, the **Second** one is the strengthening procurement management at sectoral/agency level and CPTU to develop an MIS system for reporting procurement activities and M&E system for monitoring the compliance of PPA 2006 and PPR 2008 by the target agencies in the light of 45 predetermined Key Performance Indicators (KPIs) (**Appendix A**). The KPIs were developed taking cognizance of the OECD-DAC<sup>1</sup> indicators within the overall framework of the PPA/PPR and its features within the local context.

## **1.2 Statement of the problem**

Procurement of Goods, Works, and Services are also covered by the IMED's existing way of undertaking implementation monitoring and evaluation tasks but not monitored and evaluated on the basis of any key performance monitoring indicators. That's why CPTU of IMED is monitoring procurement performance through the PPRP-II project. CPTU has appointed a Project Implementation Support Consultant for each of the four target agencies. These consultants are submitting the procurement performance report of each agency on quarterly

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<sup>1</sup> Organization for Economic Cooperation and Development-Development Assistance Committee

basis. Also, a consultancy firm, Survey Research Group (SRG) Bangladesh, appointed by CPTU, is submitting quarterly the reports to CPTU based on KPIs.

In spite of being a major procuring agency of the country PWD is not among the four target agency. At the time of selection of the target agency the amount of procurement in PWD is not in the first four. But after that the amount of procurement has increased substantially.

Now PWD has procured more than Water development Board (one of the four target agency). For not being in the list of initial selection, the procurement activities of PWD are not monitored keenly. Now it is required to take a look on PWD's procurement activities.

### **1.3 Significance of the proposed research**

PWD is the epic organization of building construction. PWD construct and maintained all public buildings including the Honorable President's house, Prime Minister's Office and residence, Secretariat, National Assembly, Hospitals, Govt. offices etc. The importance factor of that building is very high. So robust and effective procurement is necessary to implement those projects. As discussed earlier CPTU is not monitoring PWD's procurement activities closely. So it would be wise enough to have an independent study to ascertain the procurement performance of the Public Works Department.

### **1.4 Research Questions**

This study is aims to know the extent of compliance of PPR 2008 by PWD procurement activities. Also it is intended to know the hindrances which have been faced by PWD while complying with the rules of PPR 2008. Thus, the research questions for the present study are:

- i) Is PWD following PPR 2008 completely?*
- ii) If NO, then what are the causes behind this?*

### **1.5 Objectives of the Study**

The objectives of the present study are as follows:

- i) To find out the extent of compliance of PPR 2008 by PWD.

- ii) To find out the gap of compliance and scope of improvement for implementation of PPR 2008 in PWD.

### **1.6 Scope of the Study**

No study is made on PWD's procurement activities yet. So an independent study is intended from the concerned authorities to find out the gap of compliance of PPR 2008 in PWD. This study is such an approach for ascertaining the facts in PWD. The research is working with the 11 compliance KPIs among the 45 KPIs specified in the Result Monitoring Frame Work (RMFW) of PPRP II to measure the performance of procurement activities.

### **1.7 Limitations of the study**

The limitations of this study have come from both its scope and its methodology. Survey was confined to PWD HQ, different District offices in. On the other hand, the no. of project taken under this research is very few considering the volume of work PWD done.

### **1.8 Organization/Structure of the study (chapter details)**

The study has been arranged in six broad headings: Introduction, Literature Review, Methodology, Results and Discussion, Conclusion and Recommendations and References. In the introductory chapter, the areas which have been covered are the background and context, problem statement, significance, research questions, objectives, scopes and limitations of the study. The second chapter starts with a brief view on PPR 2008, Key Performance Indicators (KPI) and Compliance followed by a thorough review of the compliance KPIs as set for the monitoring of PPR 2008. Also, a review of the Delegation of Financial Powers (DoFP) . In the Methodology chapter which is the third chapter, sampling method, selection of study area, study period, sample size and data processing & analytical framework of the study have been described. The Results and Discussion chapter starts with the demographic overview of the respondents followed by an overview of the survey questionnaire and key informant

interview. Then the findings of the questionnaire survey have been presented with an analysis and in-depth discussion. Thereafter, conclusion of the study has been drawn with some specific recommendations. Finally, References and appendices have been stated for a clear understanding of the study.

*Chapter 2*  
*Literature Review*

# Literature Review

## **2.1 Public Procurement Rules (PPR 2008): An overview**

Public Procurement Rules (PPR) 2008 was framed by the Government of People's Bangladesh under the Public Procurement Act (PPA) 2006 which came into effective on January 31, 2008. The main objective of enacting PPA 2006 & introducing PPR 2008 was, generally, of achieving value for money, ensuring transparency, accountability, fair treatment in all public procurement throughout the public sector organizations of our country.

There are 130 Rules in PPR 2008 under nine chapters. Most of the Rules have several Sub-Rules. In chapter one, there are 3 Rules (Rule 1 to Rule 3) where preliminary issues like definition of key terms, scope and application of the Rules are given. There are 9 Rules (Rule 4 to Rule 12) in chapter two. Guideline for preparation of Tender or Proposal document, constitution of different committees for disposal of Tender or Proposal are given in this chapter. In chapter three, principles of public procurement is given. This is a very big chapter divided into twelve parts. There are total 48 Rules (Rule 13 to Rule 60) under chapter three where, among others, procedure for preparation of technical specification, preparation of terms of reference, procedure for rejection of tender, approval procedure of Tender, contract administration and management are described. Rule 61 to Rule 89 constitutes chapter four where methods of procurement for goods and related services, works, physical services and their use are given. Processing of procurement including advertisement, pre-qualifications, processing of Tenders etc. are given in chapter five where there are 13 Rules (Rule 90 to Rule 102). In chapter six, guideline for procurement of intellectual and professional services is given where there are 24 Rules (Rule 103 to Rule 126). Rule 127 and Rule 128 constitute chapter seven and chapter eight respectively. Professional misconduct is described in chapter



seven and E-government procurement is described in chapter eight. In chapter nine, miscellaneous issues are described where there are 2 Rules (Rule 129 and Rule 130)

As a part of literature review, the PPA 2006 and PPR 2008<sup>2</sup> with all amendments have been studied thoroughly. The rules which seemed as the basis of compliance KPIs were reviewed keenly.

## **2.2 Key Performance Indicator (KPI): Meaning and importance**

Key Performance Indicators, also known as KPI or Key Success Indicators (KSI), help an organization to define and measure progress toward organizational goals. These KPIs are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization. Once an organization has analyzed its mission, identified all its stakeholders, and defined its goals, it needs a way to measure progress toward those goals. Key Performance Indicators are those measurements.

KPIs allow organization adequate measures of performances from the standardized activities. Importance of performance measuring is very significant, which also can be found in a proverb : *If you want to improve something, you have to measure it.* Velimirovic *et.al.*, (2011) stated that continual measuring is a base for continual improvements of organization performances which is one of the most important management principles.

## **2.3 Compliance: Meaning and significance**

Compliance means the act adhering to, and demonstrating adherence to, a standard or regulation. In the context of procurement, compliance is the state of being in accordance with the relevant policies, rules and regulations.

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<sup>2</sup> Operational definitions of PPR 2008 are given before the introduction

Compliance indicates to what extent the procuring entities adhere to the procurement rules and procedures specified in the PPA 2006 and PPR 2008.

#### **2.4 KPI 6: Average number of days between publishing of advertisement and Tender submission deadline**

*Average number of days between publishing of advertisement and Tender submission deadline* (KPI 6) has been emerged from Rule 61(4) and 64 (5) of PPR 2008. This has been clearly explained in Schedule II of PPR 2008. According to the provisions of PPR 2008, the allowable maximum time between publishing of an Invitation for Tender (IFT) and tender submission deadline depends upon the estimated value of the IFT. In general, it is minimum 14 days and maximum 28 days. However, for an emergency, time can be reduced to 10 days (in case of OTM) to 7 days (in case of LTM).

#### **2.5 KPI 11: Percentage of cases TOC included at least ONE member from TEC**

Rule 7 of PPR 2008 expresses how the Tender Opening Committee (TOC) will be formed and this is the base for KPI 11 (*Percentage of cases TOC included at least ONE member from TEC*). According the to the provision of Rule 7, there should three members in the TOC one of them must be from Tender Evaluation Committee (TEC) and two others from concerned procuring entity and other organization.

## **2.6 KPI 13: Percentage of cases TEC included two external members outside the Ministry or Division**

*Percentage of cases TEC included two external members outside the Ministry or Division*

(KPI 13) is adhered to Rule 8 which has explained in Schedule II of PPR 2008. As per provision of Rule 8, TEC should be constituted with minimum five (5) and normally not exceeding seven (7) members, two (2) of whom at least shall be from outside the Ministry or Division or agencies under it. However, for low value procurement, TEC should be formed with minimum three (3) members, one (1) of whom shall be from other agency or procuring entity.

## **2.7 KPI 14: Average number of days between Tender opening and completion of evaluation**

Rule 36 explains the procurement approval procedure which has been explained in more details in Schedule 3 of PPR 2008. KPI 14 (*Average number of days between Tender opening and completion of evaluation*) is based on the stated rule earlier. Depending on the contract approving authority (CAA), it varies from 2 to 3 weeks.

## **2.8 KPI 19: Average number of days taken between submissions of Tender Evaluation Report and approval of contract**

*Average number of days taken between submission of Tender Evaluation Report and approval of contract* (KPI 19) is also concerned with Rule 14 and 36 of PPR 2008. Depending on CAA, it varies from one (1) week (for PD, PM or AO) to two (2) weeks (HOPE, Ministry, CCGP).

## **2.9 KPI 20: Percentage of Tenders approved by the proper financial delegated authority**

Rule 36 also explains that Delegation of Financial Powers (DoFP) issued by Finance Division, Ministry of Finance (MoF) should be followed in case of approval of procurement/tender. This is a vital issue of ensuring transparency in procurement and has

been base for KPI 20 (*Percentage of Tenders approved by the proper financial delegated authority*)

**2.10 KPI 21: Percentage of cases TEC submitted report directly to the Contract Approving Authority where Approving Authority is HOPE or below**

Where the Approving Authority is at the level of the Head of a Procuring Entity or Project Director (PD), Project Manager (PM), or an authorized officer (AO) as per DoFP, it is the rule to submit the Tender Evaluation Report (TER) by the TEC directly to the Head of the Procuring Entity (HOPE) or the Project Director, Project Manager, or the authorized officer for approval [Rule 36(3)]. This is the basis of KPI 21 (*Percentage of cases TEC submitted report directly to the Contract Approving Authority where Approving Authority is HOPE or below*) which has been fixed for compliance monitoring of PPR 2008.

**2.11 KPI 25: Average number of days between final approval and Notification of Award (NOA)**

*Average number of days between final approval and Notification of Award (NOA)* (KPI 25) has emerged from Rule 36 (4) which has been described in Schedule II of PPR 2008. It is generally within seven (7) working days of receipt of the approval but before expiry of the tender or proposal validity date. This has been carefully noticed in compliance monitoring of PPR 2008.

**2.12 KPI 31: Percentage of Contracts having liquidated damage imposed for delayed delivery/completion**

As per Rule 39 (27), the contractor shall be liable to pay liquidated damages at the rate per day or week as specified in the contract for each day of delay from the Intended Completion Date (ICD) of the original contract or extended completion date provided that the total amount of liquidated damages shall not exceed the amount defined in the contract. On the basis of this, KPI 31 (*Percentage of Contracts having liquidated damage imposed for delayed delivery/completion*) has been formulated for studying compliance of PPR 2008.

### **2.13 KPI 33: Average number of days taken to release payment from the date of certificate of PM/Engineer**

As a measure of compliance monitoring of PPR 2008, *average number of days taken to release payment from the date of certificate of PM/Engineer* (KPI 33) has been taken under consideration. This KPI 33 has been formulated from Rule 39(22). There it has been specified that the Procuring Entity shall pay the contractor the amounts certified by the Project Manager (PM) within twenty eight (28) days of the Project Manager's issuing a certificate of completion.

### **2.14 KPI 35: Percentage of Contracts where interest for delayed payments was made**

Payment of interest is a mandatory requirement of PPR 2008. As a compliance monitoring, it has been looked for whether interest were paid for the delayed payment or not. KPI 35 (*Percentage of Contracts where interest for delayed payments was made*) was solely developed for this.

### **2.15 Delegation of Financial Powers for Development Projects and Sub-delegation**

Delegation of Financial Powers (DoFP) and sub-delegation thereof are important document closely linked to the PPR 2008. These documents have been issued by the Finance Division of the Ministry of Finance, Government of the People's Republic of Bangladesh. As a part of literature review of the present study, Delegation of Financial Powers has been carefully studied and found out the contract approval capacity of different managers such as Project Director (PD), Head of Procuring Entity (HOPE), Ministry, CCGP etc.

### **2.16 Quarterly and half-yearly reports submitted by Survey Research Group Bangladesh (SRGB)**

The consulting firm, SRGB has been appointed as Monitoring and Evaluation consultant in 2010 for PPRP II. Since then, the firm has been submitting reports both on quarterly and half-yearly basis. The firm has been assigned to monitor and evaluate the procurement activities

of target agencies in respect of KPIs. The reports submitted by the firm to CPTU have been studied and clear and compared views of the extent of compliance in the target agencies have been found. On reviewing the reports, there shown an upward and down ward performance of the target agencies.

*Chapter 3*  
*Methodology*

# Methodology

## 3.1 Methods of collecting data/Sampling method

A questionnaire survey was adopted for this study. Survey method was used as this is considered as the best method available to the social scientists interested in collecting original data. It gives a clear idea about the actual facts. A quantitative method was followed in this study.

The questionnaires were used for this study which is given in the **Appendix C**. The questionnaire survey was adopted for collecting primary data from different stakeholders related to procurement activities of PWD and having an acquaintance with PPA 2006 and PPR 2008. For the in-depth study on compliance issues of PPR 2008, Questionnaire was given to all Division of PWD with a general introduction of the research.. Among them 28 (eight) Divisions replied with the procurement data of single project. Here both open and closed ended questions were stipulated for getting the in-depth essence of procurement activities.

Before asking for filling the questionnaire, the general idea of the research objectives were exchanged with them. After the exchange of general idea of the research objectives, the questionnaire was given to them. They were requested to fill the questionnaire based on the actual data of a specific project under his/her territory

## 3.2 Selection of Study Area

PWD Head Quarters and District offices were selected for collection of data in the questionnaire. Due to time constraint of the present study, it was not possible to collect data from all the districts. The study was mainly focused on the on-going development projects of PWD under ADP; especially those which are in the middle stage of their implementation



were considered for the study, but some procurement information was collected from projects which ended in June 2014.

### **3.3 Study Period**

Survey was conducted at different Division offices of PWD, Planning Commission, IMED, and TEC members of PWD from Roads and Highways Department (RHD) and Public Works Department (PWD) Dhaka, Bangladesh from 27 Nov 2014 to 28 June 2015.

### **3.4 Sample Size**

For Questionnaire, the respondents were categorized in four different types namely i) PWD's employee, ii) TEC Members, iii) Persons who are dealing with PWD's projects iv) Others. As there are numerous people are concerned with PWD's procurement activities, a total of 28 different officers given their data.

Projects for the study were randomly selected, but there was a representation of projects from the ADP sectors under which PWD is having projects in the ADP.

### **3.5 Data processing and Analysis/Analytical Framework**

As a means of processing, collected data have been cleaned, edited, arranged and coded before statistical analysis. The main statistical analytical tool used in this study was Statistical Package for Social Science (SPSS) to analyze and interpret the subject matter of the study. 5-point Likert scale was used in the questionnaire to categorize the answers for easy analysis. Microsoft Excel has been used for preparing the frequency table & other tables and for constructing pie charts. Microsoft Word has been used for preparing the report.

*Chapter 4*  
*Results and Discussion*

## Results and Discussion

The purpose of this study is to find out the extent of compliance of PPR 2008 by PWD in its procurement activities. More specifically, the purpose of the study is to assess the gap of compliance and scope of improvement for implementation of PPR 2008 in PWD.

### 4.1 Demographic overview of the respondents

To do this, questionnaire survey has been conducted on the officers from PWD but. The respondents included in different ranks. A summary of the information regarding the respondents different attributes are given in Table 1 below:

**Table 1: Summary of demographic information of the respondents**

<b>Respondent's Attribute/variants</b>	<b>Frequency</b>	<b>Percent</b>
<b><i>Organization</i></b>		
PWD	28	100.0
Total	28	100.0
<b><i>Designation</i></b>		
Assistant Engineer	13	46.43
Sub Divisional Engineer	4	14.28
Executive Engineer	11	39.29
Total	35	100.0
<b><i>Relevancy with PWD</i></b>		
Employee	28	100.0
Total	28	100.0
<b><i>Gender</i></b>		
Male	25	89.3
Female	3	10.7
Total	28	100.0
<b><i>Education Level</i></b>		
Masters'	3	10.7
Bachelor	24	85.7
Others	1	3.6
Total	28	100.0
<b><i>Training on PPA/PPR 2008</i></b>		
Yes	25	89.3
No	3	10.7
Total	28	100.0

## **4.2 Overview of the survey questionnaire**

The respondents were asked to fill up eleven (11) specific questions on a project under his/her territory regarding compliance of PPR 2008 in PWD's procurement activities.

## **4.3 Findings of the questionnaire survey, analysis and discussion**

While asked to fill up the survey questionnaire about the compliance issues of PPR 2008 in PWD, the respondents replied by giving the information of a project of their territory. Findings of the survey are discussed below on individual questions basis:

***KPI 6: PWD is maintaining time for 'publishing Advertisement and Tender submission deadline'***

By analyzing the 28 questionnaires it has been seen that PWD maintains the time frame for 'publishing Advertisement and Tender submission deadline. It has found that among the 28 projects 27 projects are maintaining the time frame; only 1 project is short of 5 days from the standard time allocated by the rule.

According to Rule 61(4) of PPR 2008, the allowable maximum time between publishing of advertisement of an IFT and tender submission deadline depends upon the estimated value of the IFT. The minimum time allowed in this regard is 14 days for Procurement up to 2 (Two) crore taka, 21 days for Procurement of above 2 (Two) crore to 5 (five) crore taka, 28 days for Procurement of above 5 (five) crore taka, 10 days for re-tendering up to 2 (Two) crore take and in other cases 14 days, 42 days for International Tendering and 28 days for re-tendering. From the survey results, it can be said that PWD is strictly following the Rule 61(4) allowing sufficient time in publishing advertisement and tender submission deadline. From the research it has found that 97% of the tenders had sufficient tender submission time as reflected in the Survey.

***KPI 11: In PWD, TOC always consists of at least one member from TEC***

By analyzing the 28 questionnaires it was seen that TOC consist of at least one member from TEC in all the 28 projects. This means that PWD is complying the Rule 7 of PPR 2008 in a good manner where Tender Opening Committee (TOC) is always consisted of at least one member from TEC. According to Schedule II [Rule 7] of PPR 2008, Tender Opening Committee (TOC) must include one (1) member from Tender Evaluation Committee (TEC).

***KPI 13: PWD followed the rule of including Two external members for TEC.***

Like the earlier question, it has been seen that PWD followed the rule of including two external members for TEC in all the 28 projects (100%).

According to Schedule II [Rule 8] of PPR 2008, Tender Evaluation Committee (TEC) must include two (2) external members outside the Ministry of procuring entity except in the case of low value purchase. From the perceptions of the respondents in the questionnaire survey, it is observed that PWD has gradually become more conscious about compliance of the requirement of PPR 2008.

***KPI 14: PWD does not followed the standard time between tender opening and tender evaluation in many cases.***

By examining the 28 questionnaires it has been seen that PWD is not followed the standard time between tender opening and tender evaluation in many cases. It has seen that among the 28 project 15 projects (53.57%) had maintained the time frame, rest 13 projects (46.43%) took longer time than the time allocated by the rule. On an average PWD took 33.46 days for tender evaluation which is also in a higher side. More surprisingly, 2 projects took more than 100 days for Evaluation.

According to Schedule III [Rule 8(14), Rule 36], 2 weeks & 3 weeks time is allowed for evaluation where Approving Authority is PD or authorized officer (Oxen) & HOPE respectively. The present study result on this issue indicated that PWD is not the following standard time between tender opening and tender valuation keenly.

***KPI 19: PWD does not followed the standard time between submission and approval of Tender Evaluation Report (TER) in most cases.***

According to the provisions of PPR 2008, timeline has been specified for completion of approval of TERs by the respective Contract Approving Authority (CAA) delegated with proper financial powers. As per schedule III & [Rule 8(14), Rule 36(6)], 1 week & 2 weeks time is allowed for approval of contract where Approving Authority is PD or authorized officer (Xen) & HOPE, Ministry and CCGP.

From the results of this study, it has found that among the 28 projects only 11 projects met the deadline (39.29%); rest 17 projects (60.71%) took more time than its allocated time which indicates that PWD did not followed the standard time between submission and approval of Tender Evaluation Report (TER). On an average PWD took 43.89 days between submission and approval of Tender Evaluation Report (TER).

***KPI 20: In PWD, tenders are approved by proper CAA with DFP in majority.***

In response to this question, the majority (89.29%) of the tenders are approved by proper CAA with DoFP. By analyzing the questionnaires it has found that among the 28 tenders 3 tenders did not approved by proper CAA with DoFP.

Delegation of Financial Powers is a document issued by the Finance Division of Ministry of Finance. As per Rule 36 of PPR 2008, this delegation has to be followed strictly for the approval of the contracts. From the responses of the questionnaire survey, it has been indicated that PWD is keen in following this Rule of PPR 2008.

***KPI 21: In PWD, TEC submits TER directly to the CAA in most cases.***

By studying the questionnaire it has found that majority (24 out of 28, 85.71%) of the TER directly submitted to the CAA. In case of the 4 projects (14.29%) TER was not directly submitted to the CAA.

As per Rule 36(3) of PPR 2008, TEC should submit the Tender Evaluation Report (TER) directly to the Head of the Procuring Entity (HOPE) or the Project Director, Project Manager, or the authorized officer, as the case may be, for approval.

***KPI 25: In PWD, timeline between approval of TER and issuance of NOA is not followed properly in some projects.***

According to Schedule II [Rule 36(4)] and Schedule III [Rule 8(14)], within 1 week after the approval of the approving authority, Notification of Award (NOA) should be issued. In response to this requirement of PPR 2008, the present study indicates that PWD is not very much keen to comply with this timeline.

Examining the 28 projects it has found that in 18 projects (64.29%) timeline between approval of TER and issuance of NOA is followed properly and in 10 projects timeline is not followed properly. The average time consumed between approval of TER and issuance of NOA is 17.82 days.

***KPI 31: In PWD, liquidated damage clause is imposed in the contracts where applicable as per Rule 39 (27) in most cases***

Among the 28 projects in 21 projects (75%), *liquidated damage clause is imposed in the contracts where applicable as per Rule 39 (27)*, in 2 projects (7.14%), *liquidated damage clause is not imposed in the contracts where applicable as per Rule 39 (27)*, in 5 projects (17.85%) it is not applicable because the projects are not finished yet or finished in time.

As per Rule 39 (27) of PPR 2008, it is mandatory to include the liquidated damage clause in the contracts where applicable. The present questionnaire survey though indicates an overall positive result towards imposing liquidated damage clause in the contract;

***KPI 33: In PWD, contractor payment is timely disbursed as per Rule 39 (22) in most cases.***

By analyzing the 28 questionnaires it has seen that in 23(82.14%) projects contractor payment is timely disbursed as per Rule 39 (22) and in 5 (17.86%) Projects the respondent says it is not applicable or work in progress. This meant that PWD paid contractor payment timely as per rule39 (22)

According to Schedule II [Rule 39(22)], the Procuring Entity shall pay the contractor the amount certified by the Project Manager within 28 days from the date of certificate of PM/ Engineer. As seen from the questionnaire survey of the present study, the majority remains neutral in their perception; the key informants were asked the same to explain in a broad aspect. It was then found that most of them argue that payment is not made with the stipulated time. However, there found a gap in understanding about the submission of bill by the contractor and the payment of the same and many of them started to count the date from submission of bill. The days should actually be counted from the certificate issue date by the project manager.

***KPI 35: In PWD, interest is not paid for delayed payment regularly in most cases in many cases***

Among the 28 projects, the interest is not paid for delayed payme nt in 12 projects (42.85%), in case of 6 projects (21.42%) of the projects interest is paid for delayed payment regularly, For 10 project (35.71%) of the projects it is not applicable because of



ongoing project or project finished in time. So from the above data it can be said that in PWD interest is not paid for delayed payment regularly in most cases.

*Chapter 5*  
*Conclusion and*  
*Recommendation*

# Conclusion and Recommendations

## 5.1 Conclusion

Compliance monitoring of PPR 2008 is a vital issue for insuring good standards and value for money in the public procurement. The PPRP II has added a new dimension in the field of monitoring in the sense that it envisages to assess the compliance of the provisions of PPA-2006 and PPR-2008. This has made a shift from the existing approach and methods in dealing with procurement using public funds. Though awareness to some extent about PPA 2006 and PPR 2008 has already been developed within the officials and staffs of PWD through mandatory application of PPR 2008 in practice and training, it will certainly take some time to get momentum of the reform activities.

The present study results, shows a clear deviation to the rules of PPR 2008 in PWD in carrying out most of the compliance related KPIs.

In respect of KPI 6 (Average number of days between publishing of advertisement and Tender submission deadline), KPI 11 (Percentage of cases TOC included at least ONE member from TEC), KPI 13 (Percentage of cases TEC included Two external members outside the Ministry or Division), KPI 20 (Percentage of Tenders approved by the proper financial delegated authority), KPI 21 (Percentage of cases TEC submitted report directly to the Contract Approving Authority where Approving Authority is HOPE or below), KPI 31 (Percentage of Contracts having liquidated damage imposed for delayed delivery/completion), and KPI 33 (Average number of days taken to release payment from the date of certificate of PM/ Engineer) PWD is doing fine. Yet there is scope and need for improvement in these areas as to have a 100% compliance of PPR 2008.

However, PWD's performance in the areas of KPI 14 (Average number of days between Tender opening and completion of evaluation), KPI 19 (Average number of days taken between submission of Tender Evaluation Report and approval of contract), KPI 25 (Average number of days between final approval and Notification of Award (NOA)), KPI 35 (Percentage of Contracts where interest for delayed payments was made) are not satisfactory and needs to improve these to a great extent. Moreover, compliance of need to investigate more cautiously as there are ambiguity among the findings of present study.

## **5.2 Recommendations**

From the present study, it is seen that in PWD PPR 2008 is being complied with more than 80% in 7 KPIs and in 4 KPIs there are clear deviation from the rule. Among the 4 KPIs which are not followed properly are KPI 14 (Average number of days between Tender opening and completion of evaluation), KPI 19 (Average number of days taken between submission of Tender Evaluation Report and approval of contract), KPI 25 (Average number of days between final approval and Notification of Award (NOA)), KPI 35 (Percentage of Contracts where interest for delayed payments was made). Among those 4 KPIs 3 of them are time bounded. For further improvement, following recommendations are drawn based on the study:

- In KPI 14 (Average number of days between Tender opening and completion of evaluation) PWD is taken longer time compare to the time allocated in the rule. They main cause of delays are conventional process of checking the tenderers experience certificate, financial statement, another cause is that the Addl Chief Engineer is chairperson of TEC in most project because of the DoFP and also for the Chief Engineer delegated his power to Addl Chief Engineer. So there is always a schedule problem to set up a TEC meeting which cause the delay.

To reduce those problems PWD may call to submit a company profile to deferent supplier and check their experience, financial capacity which can be used in evaluation. Also Addl Chief Engineer delegates some of his power to lower authority.

- Like the previous KPI PWD is taken longer time compare to the time allocated in the rule in KPI 19 (Average number of days taken between submission of Tender Evaluation Report and approval of contract). This delay is mainly caused by the ministry. As PWD constructed building for other Ministry/ Department, they have to approve the evaluation from those Ministry/ Department, for example PWD has to approve all tender evaluation report Bangladesh Police. This is totally unnecessary because in the TEC there is a member from Bangladesh Police. This Additional one tier of approval causes delay.

To reduce those problems the DoFP should be revised. By Empowering the lower tier will decrease the time in approval process. Also the additional tier of approval from sponsor Ministry/ Department should be cut from the process.

- To improve the performance in KPI 25 i.e. to reduce the Average number of days between final approval and Notification of Award (NOA) strong adherence of law and effective auditing system should be established.
- In KPI 35 (Percentage of Contracts where interest for delayed payments was made) PWD is not doing well. The reason behind this to approve the additional money to pay interest and in most of the cases the officials want to avoid this issue. To improve the performance in this area they should make the provision for extra money in the DPP. Also provision for payment of interest in case of delayed payment should be kept in the contract and implemented accordingly so that the rights of the contractor can be protected

- Introduction to e-gp is necessary
- Training on Procurement law also improves the competency of the PWD employee.
- In KPI 21 (Percentage of cases TEC submitted report directly to the Contract Approving Authority where Approving Authority is HOPE or below) PWD not following the rule in Some Cases. Ignorance to the law is main reason behind this.

To improve the performance PWD Should arrange regular training on procurement law. Also TEC should be empowered and every member of the TEC should have an understanding of this regulatory requirement. Proper mechanism should be developed within PWD so that it can be complied.

- Tender should be floated only after having availability of sufficient fund. This would ensure the timely payment to the contractor [Rule 39 (22)]
- Liquidated damage clause to be properly applied as per Rule 39 (27) of PPR 2008. The amount of liquidated damage per day or per week should be calculated on the basis of approximate real monetary loss for delay, not just on the basis of blind guessing. Compensation event needs to be properly incorporated in the tender document so that contractors can get appropriate compensation if the situation arises so.

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*Appendices*


## Key Performance Monitoring Indicators

Sl. No.	Indicator Category	Process Indicator	KPI No.	Performance Data
1	<b>Invitation for Tender</b>	Advertisement of Tender opportunities in Newspaper	1	Percentage of Invitation for Tender (IFT) published in Newspaper
		Advertisement of Tender opportunities in CPTU's website	2	Percentage of Invitation for Tender (above threshold) advertised in CPTU's website
		Tenders following GoB Procurement Rules	3	Percentage of Tenders following GoB Procurement Rules
		Tender following Development Partner Rules	4	Percentage of Tenders following Development Partner Rules
2	<b>Tender Submission</b>	Multiple locations submission Tenders	5	Percentage of Tenders allowed to submit in multiple locations
		Tender preparation time in Open Tendering Method	6	Average number of days between publishing of advertisement and Tender submission deadline
		Tender time compliance	7	Percentage of Tenders having sufficient tender submission time
		Sale of Tender documents	8	Average number of Tenderers purchased Tender Documents
		Tenderer Participation	9	Average number of Tenderers submitted Tenders
		Tenderer Participation Index	10	Ratio of number of Tender submission and number of Tender document sold
3	<b>Tender Opening Committee (TOC) and Tender Evaluation Committee (TEC)</b>	Tender Opening Committee formation	11	Percentage of cases TOC included at least ONE member from TEC
		Tender Evaluation Committee formation	12	Percentage of cases TEC formed by Contract Approving Authority
		External member in TEC	13	Percentage of cases TEC included Two external members outside the Ministry or Division

Sl. No.	Indicator Category	Process Indicator	KPI No.	Performance Data
4	<b>Tender Evaluation</b>	Tender evaluation time	14	Average number of days between Tender opening and completion of evaluation
		Compliance of Tender evaluation time	15	Percentage of cases Tender evaluation has been completed within timeline
		Tender Acceptance	16	Average number of responsive Tenders
		Re-Tendering	17	Percentage of cases TEC recommended for Re-Tendering
		Tender Cancellation	18	Percentage of cases where Tender process cancelled
5	<b>Tender Evaluation Report (TER) approval</b>	Tender Evaluation Approval time	19	Average number of days taken between submission of Tender Evaluation and approval of contract
		Compliance of financial delegation	20	Percentage of Tenders approved by the proper financial delegated authority
		Submission of evaluation report to appropriate authority	21	Percentage of cases TEC submitted report directly to the Contract Approving Authority where Approving Authority is HOPE or below
		TER approval compliance	22	Percentage of cases contract award decision made within timeline by Contract approving Authority after submitting Tender evaluation report
		Additional review of TER	23	Percentage of cases TER reviewed by person/ committee other than the Contract Approving Authority
		Higher tier approval	24	Percentage of Tenders approved by higher tier than the Contract Approving Authority
6	<b>Contract Award</b>	Time for issuance of NOA to Tenderder	25	Average number of days between final approval and Notification of Award (NOA)
		Tender processing lead time	26	Average number of days between Tender opening and Notification of award (NOA)

Sl. No.	Indicator Category	Process Indicator	KPI No.	Performance Data
		Total Tender processing time	27	Average number of days between Invitation for Tender (IFT) and Notification of Award
		Publication of award information	28	Percentage of Contract awards published in CPTU's website
		Efficiency in Contract Award	29	Percentage of contracts awarded within initial Tender validity period
7	<b>Delivery/ Completion</b>	Delivery time	30	Percentage of Contracts completed/ delivered within the original schedule as mentioned in the contract
		Liquidated damage	31	Percentage of Contracts having liquidated damage imposed for delayed delivery/completion
		Completion rate	32	Percentage of Contracts fully completed and accepted
8	<b>Payment</b>	Payment release compliance	33	Average number of days taken to release payment from the date of certificate of PM/ Engineer
		Late payment	34	Percentage of cases (considering each installment as a case) with delayed payment
		Interest paid for delayed payment	35	Percentage of Contracts where interest for delayed payments was made
9	<b>Complaints</b>	Tender procedure complaints	36	Percentage of Tender procedures with complaints
		Resolution of complaints with award modification	37	Percentage of complaints resulting in modification of award
		Resolution of complaints	38	Percentage of cases complaints have been resolved
		Independent Review Panel	39	Percentage of cases review panel's decision upheld
10	<b>Contract amendments</b>	Contract Amendment/ variation	40	Percentage of contract amendments/ variations
11	<b>Contract dispute resolution</b>	Unresolved Disputes	41	Percentage of Contracts with unresolved disputes

<b>Sl. No.</b>	<b>Indicator Category</b>	<b>Process Indicator</b>	<b>KPI No.</b>	<b>Performance Data</b>
12	<b>Fraud &amp; Corruption</b>	Fraud & Corruption	42	Percentage of cases Fraud & Corruption detected
13	<b>Procurement Management Capacity</b>	Procurement training	43	Average number of trained procurement staff in each procuring entity
			44	Percentage of procuring entity which has at least one trained/ certified procurement staff
			45	Total number of procurement persons in the organization with procurement training

 Shaded KPI's are Compliance KPIs

## Compliance Key Performance Indicators (KPI) for PPR 2008

Serial No.	KPI No.	Description of KPI	Related Rules of PPR 2008
1.	6	Average number of days between publishing of advertisement and Tender submission deadline	Rule 61(4), 64(5), Schedule II
2.	11	Percentage of cases TOC included at least ONE member from TEC	Rule 7, Schedule II
3.	13	Percentage of cases TEC included Two external members outside the Ministry or Division	Rule 8, Schedule II
4.	14	Average number of days between Tender opening and completion of evaluation	Rule 8 (14), 36(6), Schedule III
5.	19	Average number of days taken between submission of Tender Evaluation Report and approval of contract	Rule 8 (14), 36(6), Schedule III
6.	20	Percentage of Tenders approved by the proper financial delegated authority	Rule 36, Delegation of Financial Power
7.	21	Percentage of cases TEC submitted report directly to the Contract Approving Authority where Approving Authority is HOPE or below	Rule 36(3)
8.	25	Average number of days between final approval and Notification of Award (NOA)	Rule 8 (14), 36(4), Schedule II, Schedule III
9.	31	Percentage of Contracts having liquidated damage imposed for delayed delivery/completion	Rule 39(27)
10.	33	Average number of days taken to release payment from the date of certificate of PM/ Engineer	Rule 39(22), Schedule II
11.	35	Percentage of Contracts where interest for delayed payments was made	TDS/GCC

## Appendix C: Sample Questionnaire

**Institute of Governance Studies (IGS)  
BRAC University, Dhaka.**

### **Survey Questionnaire**

**Research Topic: A study on Public Works Department on the basis of Key Performance Indicator regarding compliance to PPA 2006 & PPR 2008 in the procurement activities.**

*This is a survey questionnaire for conducting a case study to find out how the compliance are being practiced in PWD's procurement activities on the selected projects. The aim of this research is to find out the extent of compliance of PPR 2008 in PWD and if there any hindrance to follow PPR 2008. It is a part of academic necessity for the **Masters in Procurement and Supply Management** in the Institute of Governance Studies (IGS), BRAC University. Your honest response is valuable for the researcher. The researcher assures you that the information given by you will be kept confidential & will be used only for the academic purpose.*

**Part A: Respondent's Profile** [Please encircle (O) where appropriate]

1.	Name of the respondent (Optional)	:						
2.	Designation	:						
3.	Name of the organization	:						
4.	Gender	:	Male / Female					
5.	Job Experience (years)	:	<5	5-10	11-15	15-20	20-25	>25
6.	Relevancy with PWD	:	Employee	TEC Member	Dealing with PWD's projects	Others (specify pls)		
7.	Educational qualification (Last degree obtained)	:						
8.	Do you have training on PPA 2006 and PPR 2008?	:	Yes / No.					



**Part B:** The following statements ask you about PWD's practices of the KPIs as compliance of PPR 2008. Please circle (O) where options are given and specify where needed.

1. Name of the Project/Work:  
 .....  
 .....
2. Type of Procurement: Goods/ Works / Service
3. Method of procurement: OTM/ LTM/ TSTM /RFQ /DPM /RTM /QCBS/ SFB/  
 Other (Please Specify:.....)
4. Value of the Procurement:.....lac
5. Financial Year:.....

SI no.	KPI no.	Key Performance Indicator	Respondent Answer / Comment	Researcher Comment
1	6	Time between 'publishing Advertisement and Tender submission deadline'	.....days	
2	11	Is TOC consists of at least one member from TEC ?	Yes / No	
3	13	Is TEC consists of two external members outside the ministry/ division of PE?	Yes / No	
4	14	Time between tender opening and tender evaluation :	.....days	
5	19	Number of days taken between submissions of Tender Evaluation Report and approval of contract:	.....days	
6	20	Tender approved by:	EE/ SE/ PD/ ADCE/ HOPE/ MINISTER/ CCGP	
7	21	Is TEC submitted evaluation report directly to the Contract approving Authority where Approving Authority is HOPE or below?	Yes / No	

8	25	Number of days between final approval and Notification of Award (NOA)	.....days	
9	31	Is the liquidated damage clause included in the contract imposed for delayed delivery/completion?	Yes / No/ NA	
10	33	Number of days taken to release payment from the date of certificate of PM/Engineer:	.....days	
11	35	Is interest for delayed payments were made?	Yes / No/ NA	

**Part C: Please give your valuable recommendations to improve the level of compliance to PPA-2006 and PPR-2008 in the procurement activities of Public Works Department:**

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Signature (optional)